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## CURRENT SUPPORT BRIEF

CAPABILITY OF THE SINO-SOVIET BLOC TO EXPORT PETROLEUM  
TO THE FREE WORLD THROUGH 1965

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**SECRET**CAPABILITY OF THE SINO-SOVIET BLOC TO EXPORT PETROLEUM\*  
TO THE FREE WORLD THROUGH 1965

The Sino-Soviet Bloc countries will probably have the capability to export a maximum of 25 million tons of petroleum to the Free World in 1965--about 5.8 percent of the total international Free World trade in petroleum forecast for that year. Actual exports to the Free World were 5.5 million metric tons in 1955 and about 18 million metric tons in 1959--about 4.1 percent of the estimated total international Free World trade in petroleum.

Exports of petroleum from the USSR to the other Bloc countries in 1965 will probably be a minimum of 25 million tons--20 million tons to the European Satellites and 5 million tons to Communist China and the Asiatic Satellites--unless the supply of energy in the European Satellites falls short of the amounts needed to support planned industrial growth. If so, the estimated surplus of petroleum available for export to the Free World will be reduced by corresponding amounts.

Intra-Bloc Trade in Petroleum

The volume of the intra-Bloc trade in petroleum increased from 8.2 million tons in 1955 to an estimated 12.4 million tons in 1959, as shown in Table 1. Of particular significance within this period was the shift in the position of the USSR as a net importer, to that of net exporter. In the same period, the European Satellites became net importers of petroleum, and Communist China and the Asiatic Satellites became even more dependent in 1959 than they were in 1955 upon the other countries of the Bloc for supplies of petroleum.

These trends will probably continue at least through 1965, although a slackening in the growth of imports into Communist China and the Asiatic Satellites from other countries of the Bloc may be expected, particularly if Communist China is successful in expanding her petroleum industry.

Bloc Trade With the Free World, 1955-59 and Estimates for 1965

The capability of the Sino-Soviet Bloc to export petroleum to the Free World in 1965 will be determined, in fact, by the availability of surplus in the USSR. It is believed that the other Bloc countries will develop increasing petroleum deficits during 1960-65, and that petroleum will no longer be available for export from these countries to the USSR and the Free World, with the possible exception of small quantities of petroleum products from Rumania and East Germany.

Of the USSR's estimated exportable surplus in 1965, contracts already have been negotiated for approximately 20 million tons to the European Satellites; and it is estimated that 5 million tons will be delivered to Communist China and the Asiatic Satellites. Thus, the maximum exportable surplus of petroleum to the Free World in 1965 is estimated at 25 million tons.

\* As used in this report, the term petroleum refers to liquid petroleum hydrocarbons in the form of crude oil and/or petroleum products, including synthetics. Tonnages are given in metric tons throughout this report.

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**SECRET**Table 1Sino-Soviet Bloc Trade in Petroleum1955-58 and Estimates for 1959

|   | Million Metric Tons |      |      |      |                |
|---|---------------------|------|------|------|----------------|
|   | 1955                | 1956 | 1957 | 1958 | 1959 <u>a/</u> |
| <u>Intra-Sino-Soviet Bloc Trade <u>b/</u></u>               |                     |      |      |      |                |
| USSR  |                     |      |      |      |                |
| Imports   | 4.4                 | 3.4  | 2.4  | 2.3  | 2.0            |
| Exports   | 2.1                 | 3.0  | 5.0  | 6.3  | 8.4            |
| Net <u>c/</u>   | -2.3                | -0.4 | 2.6  | 4.0  | 6.4            |
| European Satellites   |                     |      |      |      |                |
| Imports   | 2.5                 | 3.1  | 5.2  | 5.6  | 6.8            |
| Exports   | 6.1                 | 5.8  | 4.5  | 4.4  | 4.0            |
| Net <u>c/</u>   | 3.6                 | 2.2  | -0.7 | -1.2 | -2.8           |
| Communist China and the<br>Asiatic Satellites               |                     |      |      |      |                |
| Imports   | 1.3                 | 1.8  | 1.9  | 2.8  | 3.6            |
| Exports   | 0                   | 0    | 0    | 0    | 0              |
| Net <u>c/</u>   | -1.3                | -1.8 | -1.9 | -2.8 | -3.6           |
| <u>Sino-Soviet Bloc Trade with<br/>Free World <u>d/</u></u> |                     |      |      |      |                |
| Imports <u>e/</u>   | 1.4                 | 1.5  | 1.1  | 1.0  | 1.0            |
| Exports   | 5.5                 | 6.5  | 8.7  | 12.5 | 17.7           |
| Net <u>c/</u>   | 3.9                 | 5.0  | 7.6  | 11.5 | 16.7           |

a. Preliminary estimates.

b. 1/

c. Net imports are designated by use of a minus sign.

d. 2/

e. Reparations of crude oil from Austria.

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**SECRET**Table 2Estimated Supply and Demand and Exportable Surplus  
of Petroleum in the USSR1965

|  | Million Metric Tons |
|--|---------------------|
|  | <u>Amount</u>       |
| <u>Supply</u>                                |                     |
| Indigenous production of crude oil           | 243.0 <u>a/</u>     |
| Natural gas liquids                          | 6.5 <u>b/</u>       |
| Synthetic oil products and imports           | 2.0 <u>c/</u>       |
| <u>Total supply</u>                          | <u>251.5</u>        |
| <u>Demand</u>                                |                     |
| Civil and military consumption               | 187.5 <u>d/</u>     |
| Losses and storage increments                | 14.0 <u>e/</u>      |
| Exports of petroleum to other Bloc countries | 25.0 <u>f/</u>      |
| Residual exportable surplus                  | 25.0                |
| <u>Total demand</u>                          | <u>251.5</u>        |

a. 3/b. 4/

c. Imports of 1 million tons from Austria; production of synthetic oil products estimated at 1 million tons.

d. Based on link relatives taken from a number of Soviet open sources.

e. Calculated at about 6 percent of the production of crude oil.

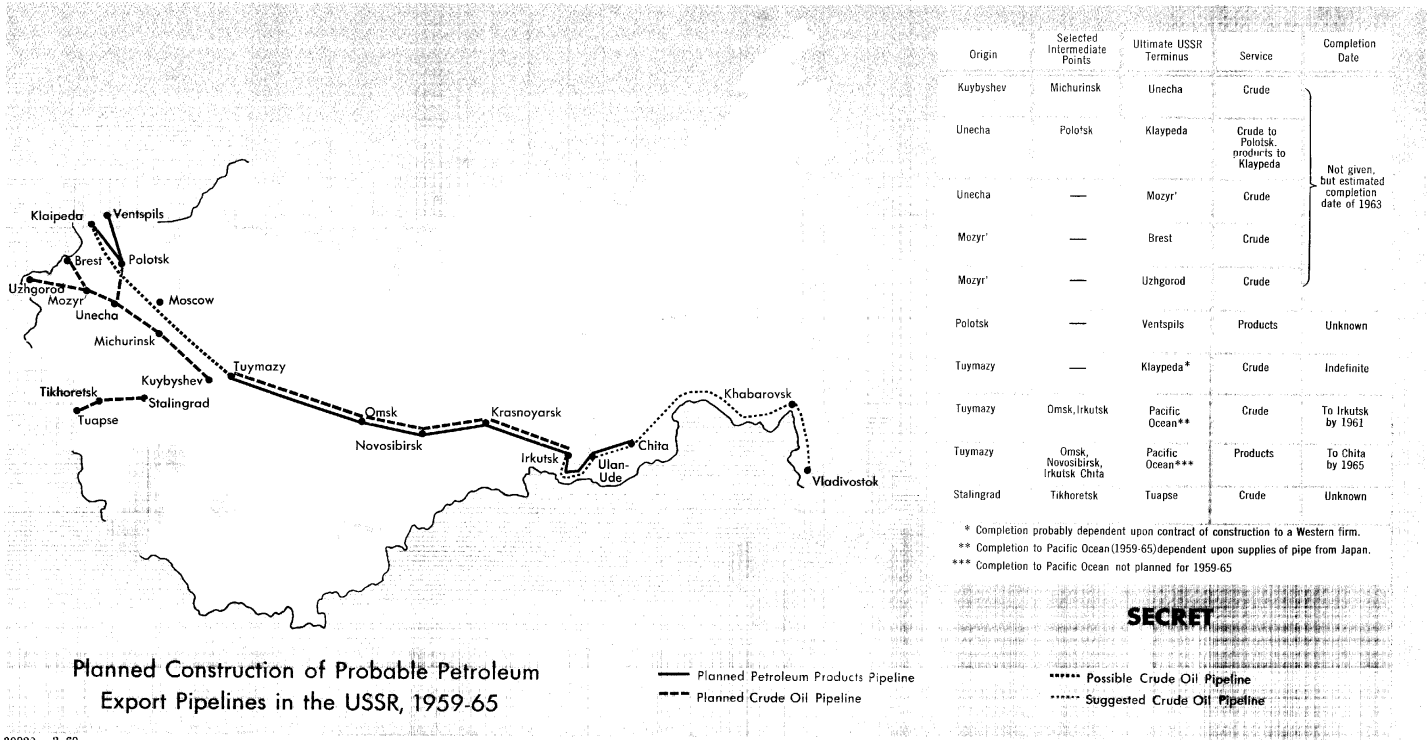
f. Based primarily on negotiated contracts.

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The USSR, however, may be called upon for additional exports of petroleum to the European Satellites. The supply of all forms of primary energy in the European Satellites apparently will not be sufficient to support their planned rate of industrial expansion. 5/ In fact, the upper limit of the apparent energy deficiency in the Satellites could be as much as the total exportable surplus of petroleum of the USSR although this is considered highly improbable.

Expansion of Soviet Pipeline Export Capabilities

The growth in exports of petroleum from the USSR must necessarily be accompanied by an expansion of petroleum transport facilities, most of which will be provided by the construction of pipelines, which offer the cheapest and most rapid means of transport of crude oil and petroleum products.

A number of petroleum pipeline systems now under construction in the USSR or planned for construction during the remainder of the Seven-Year Plan (1959-65) will greatly enhance the export capability of the USSR. (See Table 3, Figure 1)

Expansion to the East

All of the effort expended in 1959 in the expansion of the USSR petroleum pipeline export capabilities was concentrated in the building of pipelines eastward from the Urals-Volga oil fields. Construction of a crude oil pipeline from Tuymazy to Irkutsk has proceeded at a comparatively rapid rate. Two sections were under simultaneous construction in 1959. The 1,334 kilometer section between Tuymazy and Omsk was completed in late October, 1959. 6/ The 174 kilometer section between Omsk and Tatarsk was also completed in late 1959. The pipeline is evidently to be extended to Klyukvennaya, east of Krasnoyarsk, in 1960, and the entire system is scheduled for completion to Irkutsk by 1961. 7/ Conditional to its offer of crude oil to Japan, the USSR has asked that the Japanese supply steel line pipe to be used in extension of the crude oil pipeline beyond Irkutsk to the Pacific Ocean, presumably to the vicinity of Vladivostok. 8/ Negotiations on this trade agreement are currently under way. Should pipe not become available, extension of this pipeline beyond Irkutsk during the Seven-Year Plan is doubtful.

Considerable progress also has been achieved on the pipeline which is to transport petroleum products from Bashkirian refineries to Irkutsk and eventually to the Pacific Ocean. The products pipeline to Novosibirsk was completed in 1959, and is to be extended to Krasnoyarsk in 1960. 9/ The pipeline probably will not be extended beyond Chita, at least during the Seven-Year Plan.

Expansion to the West

Construction of the much publicized pipeline system which is to carry petroleum from the Urals-Volga to an oil base at Klaypeda, on the Baltic, and which also is to provide crude oil to the projected pipeline from the USSR into several European Satellite countries, has not yet begun. However, at least one of the countries, Czechoslovakia, has begun work on that portion of the pipeline which is to pass between its borders. Construction is reportedly to begin on several portions of the system within the USSR in 1960. 10/ It is probable that the major portion of the system may be in operation by 1963.

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Petroleum shipments originating in the Black Sea area may be increased following completion of the Stalingrad-Tikhoretsk-Tuapse crude oil pipeline. Construction of additional export facilities on the Black Sea during 1960-65 is unlikely, although extension to Odessa of the planned Michurinsk-Liski-Kremenchung crude oil pipeline is possible.

**Availability of Pipe**

The Soviet pipeline program has been hampered by a shortage of large-diameter steel line pipe, i.e., pipe 20" and above in diameter. Because requirements have exceeded manufacturing capability, the USSR has been forced to turn to Western sources for supplies of steel line pipe. West Germany has been a major supplier, and smaller quantities have been obtained from Italy, the United Kingdom, Sweden, and Austria.

The combined total of known or estimated deliveries of pipe to the USSR represents a growing portion of the annual requirements for the planned pipeline program. These annual requirements reportedly will reach more than one million tons during the Seven-Year Plan. Recent information implies that possibly as much as 250,000 tons of steel pipe may have been imported from West Germany in 1959.

The steel pipe supply-demand situation may be somewhat alleviated if the USSR is successful in purchasing pipe fabricating facilities from Western sources. The time required to place such facilities into production, however, would delay current construction plans.

The most satisfactory solution for the USSR and the Satellites to the problem of adequate and timely supply of pipe and equipment probably would be to contract certain of these proposed construction projects to Western firms. Some such efforts have been reported. The Italian state oil monopoly (ENI), according to press reports, is to help construct that portion of the USSR-Satellite oil pipeline network which passes through Polish territory. <sup>11/</sup> In addition, ENI apparently already has signed a contract for construction of the Soviet portion of this pipeline. <sup>12/</sup> Finally, for the past several years, the USSR has unsuccessfully bargained with a Swedish firm for engineering advice and for pipe to be used in construction of a crude oil pipeline from Tuymazy to Klaypeda. It is unlikely that construction of this pipeline will be initiated during the Seven-Year Plan if outside support is not forthcoming. Failure to negotiate the construction of Tuymazy-Klaypeda pipeline should not, however, significantly affect the USSR's capability to export petroleum.

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Sources:

1. CIA/RR 127 S-1, Intra-Sino-Soviet Bloc Trade in Petroleum, 1952-56 (Supplement), 14 Apr 58, Table 1, p. 2. S.
2. CIA/RR IM 59-16, Trade in Petroleum by the Sino-Soviet Bloc, 1956-60, 17 Aug 59, Tables 8-9, p. 16-17. S.
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3. CIA. OCI, Current Intelligence Digest, 16 Nov 59, p. 2. S.
4. Notkin, D. I. "Toplivnaya i neftekhimicheskaya promyshlennost' SSSR na novom moshchnom pod'yome" (The Fuel and Petrochemical Industry of the USSR at New and Great Heights), Khimiya i tekhnologiya topliv i masel, no. 11, Nov 58, p. 1-10. U.
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